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Chapter 6

Summary and Conclusion

Here we summarize the results of the research and check whether they answer its research questions, which were stated in the introduction. In the introduction and chapter 1 we described what has happened in the 1997 Korean Crisis and what negative social consequences have occurred, clarified its relations to neo-liberalism and explained the definition and mechanisms of neo-liberalism. South Korean economy has continued to achieve a high annual growth rate averaging over 8 % since the 1960s. But in late 1997 it suddenly experienced an economic crisis and its growth rate in 1998 fell down to minus 6.7%, the worst in the modern Korean history. The economic crisis developed into a social crisis. While the rate of unemployment increased, the level of wages of employees decreased. The poverty rate soared and the gap between poor and rich widened. The psychological health of people worsened. The numbers of divorces, suicides, orphans, the homeless, crimes and so on rose rapidly.

The Korean economic crisis cannot be explained by the existing theories that tend to focus on macroeconomic performance. The main macroeconomic indicators – fiscal spending, unemployment, inflation, economic growth and utilization rate of manufacturing facilities - were at reasonable levels. It was an investment-induced crisis due to the instability of global financial market. The accelerating financial liberalization since 1995, demanded as a precondition for the OECD membership, led to excessively growing foreign loans, especially speculative short-term foreign loans. The massive flight of foreign capital in late 1997 and Korea's exhaustion of foreign currency reserves led to the government requesting relief loans from the International Monetary Fund (IMF), and agreeing on 3 December 1997 to the effective control of the IMF over South Korean economic policy. The IMF package of so-called 'structural adjustments' – fiscal austerity, liberalization of cross-border capital, labor market flexibility and so on – expanded the foreign exchange crisis into an overall economic and social crisis. Despite good macro-economic records prior to the crisis, the IMF required the government to immediately implement austerity policies, including cutbacks in government spending, and increase in taxes, and a substantial rise in interest rates. They caused recession and bankruptcy, unemployment and income reduction. This forced Korean economic assets to be put up for an international auction in which all bargaining power lay with the buyers. The crisis-induced collapse of the *won* made Korean assets extraordinarily cheap in US dollars and other dominant currencies.

The Korean crisis was not a unique, local phenomenon. Mexico in 1995, Southeast Asia in early 1997, and Brazil and Russia in 1998 all experienced foreign exchange crises. Thanks to innovations in finance that started in the 1970s and accelerated in the 1980s, the Western economies had accumulated excess liquidity and sought suitable opportunities on the transnational financial

markets. The payment of interest to owners of financial assets is an integral feature of the global credit market. Such interest payments to the global money market force all the different nations of the world to adapt to one and the same system. Its ideological expression is neo-liberalism. Neo-liberalism insists on deregulation in national economies and free trade in the world market. The dismantling of national barriers to capital flows increased the instability of financial market and thereby the danger of financial crisis. We can see the ideology of neo-liberalism as the cause of the Korean financial crisis in 1997 and the following economic and social crises since then.

What are neo-liberalism and its mechanisms? The capitalist crisis since the 1970s, with its shrinking profit rates, inspired the corporate elite to revive liberalism, which was weakened by the Keynesianism since the Great Depression of the 1930s. This is what makes it 'neo' or new. Friedrich von Hayek, the father of neo-liberalism, providing continuity to the liberal tradition initiated by Adam Smith, advocated 'a spontaneous order' of the market. However, his special contribution refers to the radical criticism to the idea of 'social justice.' Margaret Thatcher in the UK and Ronald Reagan in the US put Hayek's theory into practice to legitimate the neo-liberal attack on 'big government' and the bureaucratic welfare state. At the international level, the essence of the change since the neo-liberal regime is that production, trading and monetary capital can be trans-nationalized, while the political instruments of regulation remain either national or international. In addition, finance capital was assigned a preeminent role. Finance is separated from the factual production of goods and services. It has become an end in itself, and this is one reason to speak of neo-liberalism and not of liberalism. While the Keynesian approach gave priority to full employment and trade balance, the neo-liberal monetarist approach gave priority to the stability of monetary value. The owners of financial assets and the countries with strong currencies profit, and the workers and the countries with weak currencies lose out.

In the following three chapters we looked respectively into neo-liberal principles, practices and methodology. In chapter 2 we examined the principles of neo-liberalism behind the Korean crisis. Its primary principle is 'self-regulating market' without political and public controls, which brought about the current socially and ecologically devastating effects. The second principle is 'fictitious economy' based on the commodity fiction. The neo-liberal self-regulating market system requires not only goods and services but also labor, land and money to be commodified and priced. Finance, especially, that is not related to real productions of goods and services has expanded rapidly. The volume of money related not to real productions is about 30 times bigger than the volume of money related to real productions. Another neo-liberal principle is 'social evolutionism' that can be summarized into 'the survival of the fittest' through competition. It defends the monopolistic or oligopolistic dominations of big businesses in the current neo-liberal economy. The other principles of neo-

liberalism of ‘full faith in free markets,’ ‘subjectivism and utilitarianism of the Austrian School,’ and ‘anachronism of neo-liberalism in the Korean context’ are not the proper principles of neo-liberal economy itself, but the evaluative principles of it from the social philosophical and comparative perspectives. The principle of full faith in free markets reveals the deistic and amoral characteristics of neo-liberal economy. The principle of subjectivism and utilitarianism, similarly, highlights its antinomian traits. The last principle of anachronism of neo-liberalism in the Korean context points out that unlike relatively more socialized Austrian or Western societies the Korean society had already been severely liberalized and deregulated before neo-liberalism began its influence.

In chapter 3 we dealt with how the neo-liberal principles discussed above have worked in practice. We chose three issues to be presented as case studies: tax havens, labor-management relations and real estate, which represent the most serious economic problems the Korean society and people have faced under neo-liberalism. We gave attention to how the primary neo-liberal principle of ‘self-regulating market’ has brought about socially and ecologically harmful effects since the crisis by means of the ‘commodification of the factors of production,’ which is the essence of the second neo-liberal principle of ‘fictitious economy.’ We also saw that the principle of social evolutionism has operated in all the three case study areas; that is, in all the areas the inequality between poor and rich was expanded and the powers of transnational companies, in particular, of *chaebols* in Korean context, were enlarged. In the first case study, tax havens allow uncontrolled ‘commodification of money’ by means of providing the fiction of ‘secrecy space.’ Because they are almost entirely off the radar screen of regulation and supervision, they create the conditions that lead to financial instability, and promote the global cross-border dirty money whether it is related to commercial tax avoidances and evasions, crimes, or corrupted politicians. Tax havens played an important part in the Korean crisis. The off-shore banks acted as super-conduits both for the inflow of foreign investment into Korea and for the sudden massive capital flight from Korea before the crisis. Tax havens were also used to hide business losses and external debts, which disturbed appropriate managements. We confirmed that as financial liberalization around 1997 has progressed, tax haven money has increased through several statistics – regarding foreign direct investment, overseas direct investment and trade. We took some examples of Korean and American big enterprises that have used tax havens to avoid or reduce taxes. Multinational businesses squeeze out medium and small nationally based businesses that have an unfair higher cost structure than their larger rivals.

In the second case study, the ‘commodification of labor’ was related to the idea of ‘labor market flexibility’ since the 1997 crisis. The labor movement that has been strengthened since ‘the 1987 Great Workers’ Struggle’ was again weakened and, for the first time in recent Korean history, layoff for managerial

reasons and use of a leasing worker were legalized. The result was permanent crisis of unemployment and increase in employment insecurity, extension of irregular employment and deterioration in income distribution. It led to worsening the chronically antagonistic labor-management relations given the very insufficient social welfare system. In the third case study, the 'commodification of real estate' was associated with the 'liberalization of the real estate market' since the crisis. The Korean government has carried out a series of policies to liberalize real estate market. It discarded the laws of the 'public concept of land' that functioned to prohibit speculation: the ceiling on the housing site, super-normal capital gains tax and the developmental capital gains tax. It also lifted the price ceiling on apartments, freed the Green Belt and opened the real estate market extensively to foreigners. Lastly, it liberalized real estate finance - including the privatization of Korea Housing Bank. The series of neo-liberal policies of real estate brought about disparity of real estate between rich and poor and ecological destruction. The disparity of real estate was connected to the idea of the Lockean 'absolutism of private property right,' and the ecological destruction to the ideas of (neo-)developmentalism and the Cartesian dualism between man and nature. We took the recent 'Yongsan Tragedy' as an example of the absolutism of private property right and the 'Cheonggyecheon Restoration Project' and the 'Four Major Rivers Restoration Project' as examples of neo-developmentalism.

In chapter 4 we discussed the neo-liberal methodology of economic science. The general denial of the need for a theory of social justice or an ethics of the common good in neo-liberalism and the consequent criticism of government's control over market and social expenditure are related to the so-called 'value-free' or 'positive' methodology of modern economics – including neo-liberal economics. The methodology distinguishes between the positive and the normative and tends to disregard the latter. We found its origin in Enlightenment philosophers such as Immanuel Kant and David Hume. Kant distinguished between the 'phenomenal realm' and the 'noumenal realm' and thought that the knowledge transaction completely occurs only in the former. Kant also presented the doctrine of categories through which we can obtain genuine knowledge. On the base of these Kantian insights, Max Weber, Richard Strigl, Lionel Robbins and so on developed the value-free economic methodology. Hume suggested an impersonal and non-moral new causality against the old causality that "every event must either be the act of some person, who was thus responsible for it, or it must be an 'Act of God.'" He also provided the so-called 'Hume's dichotomy' between 'is' and 'ought', whose primary concern is to prevent us from basing moral judgments upon natural facts. On those Humean foundations, Adam Smith began to understand economic science as a mechanical system like natural sciences and John Neville Keynes, Lionel Robbins and so on formulated the standard positive economic

methodology. Paul Samuelson and Milton Friedman inherited their methodology.

However, the well-known scholars such as Gunnar Myrdal and Amartya Sen disagreed with the mainstream value-free methodology. Myrdal stressed the impossibility of purely non-normative economics and claimed, furthermore, that value judgments play a vital role in socio-economic analysis: "Valuations enter into social analysis, not only when conclusions concerning policy are drawn, but already in the theoretical endeavour to establish what is objectively true - in the choice of a field of enquiry, the selection of assumptions, even the decision as to what is a fact and what is a value." He explained that two main moral philosophies – natural law and utilitarianism - are behind economic doctrines by taking the examples of various concepts of value – 'real value' or 'labor value,' 'subjective value' or 'marginal utility,' and 'social value.' Sen questioned the monopolistic status of 'self-interest' in the standard economic explanation of human behavior and advised us to consider not only the normative assumption of self-interest but also the other normative assumptions of 'sympathy' and "commitment." He revisited Adam Smith and revealed moral aspects of Smith's works.

In chapter 5 we pondered how Christians could respond to the neo-liberal principles, practices and methodology. First we presented the main neo-liberal concepts of market, economics and globalization which are composed of the principles of global capitalism in chapter 2, and suggested the Christian alternative views of them. Against the view of a non-ethical market as a self-regulating mechanism, Bob Goudzwaard, quoting John Calvin, recognized the need of government to control the harmful effects of market for public justice or solidarity. Herman Daly and John Cobb Jr. distinguished between 'market' (an original and positive one as the basic organizing principle of the economy) and 'Market' (a gigantic and destructive one as the basic organizing principle of society). In contrast to the neo-liberal view of fictitious economy which is more concerned about making formally maximum results and profits but less concerned about satisfying our real needs, related to moral issues, Christian scholars paid attention on the substantial and moral aspects of economy. Goudzwaard looked into the Greek word *oikonomia* that corresponds to the economics in the Bible and revealed its moral implications. Both Goudzwaard and Ulrich Duchrow mentioned Aristotle's distinction between *oikonomia* ('the art and science of good household management') and *chrematistike* ('the art of acquiring and accumulating money'). In chapter 2 we also revealed that the current globalization has both an imperialistic aspect of being fundamentally built on the American military power and dollar seigniorage and a destructive aspect of expanding inequality, poverty and ecological degradation internationally and even in the United States. Bob Goudzwaard reminded us that the Christian church was also meant to become a global community. But he claimed that the Bible contains its own style of globalization, oriented to the

coming of his Messiah King (Ephesians 1:10). He asserted that the good question is not “Whether Christians should be for or against globalization, but “What kind of globalization should we be supporting?”

Second, we evaluated the previous case studies – tax havens, labor-management relations and real estate – in chapter 3 and propose the Christian alternative ideas and practices of them. In the case studies we examined neo-liberal practices and its background ideas in the three selected areas which correspond respectively to the three factors of production – capital, labor and land. Neo-liberal self-regulating market economy requires the ‘commodification’ of all the factors of production. Our evaluations of those case studies were founded on the analyses of the ‘commodification’ and the subsequent ‘instrumentalization’ of capital, labor and land. The neo-liberal economy has an outspoken output-orientation, in which capital, labor and land have to be commodified and be used instrumentally as mere ‘factors’ for the maximum contribution to the production-growth. But the economy of the Torah (in particular, Leviticus 25) has an outspoken input-orientation, in which interest-free capital, labor and land are honored and respected as having their own values. We presented the Biblical ideas of ‘inherent value of labor and land’ in contrast to the neo-liberal ideas of ‘labor market flexibility’ and ‘dualism of man and nature,’ which are respectively related to the commodification of labor and land. We also revealed that today interest-bearing capital has its strongest foothold in tax havens and criticized them on the basis of the Biblical analysis of ‘Mammonism’ (Luke 16:13). Tax havens seem to be able to give us more freedom - ‘freedom to choose’ in Milton Friedman’s words - but, in reality, they enslave us and dehumanize our society.

Moreover, in reaction to the deepening antagonistic labor-management relations due to the neo-liberal policies of the ‘labor market flexibility’ we introduced the Dutch protestant church’s cooperative views and experiences as a reference. Abraham Kuyper (1837-1920) provided a crucial theoretical framework of Dutch Protestant social movement - including labor movement. First his organic view of human society motivated Dutch Protestant church to develop the harmony model of labor-capital relations in contrast to the conflict model of both capital-centered liberalism and labor-centered socialism. Second his ‘principle of sphere sovereignty’ allowed the government only a moderate intervention into industry and promoted the autonomous bipartite industrial relations between labor and capital. Dutch Protestant labor movement goes back to the ‘Patrimonium,’ which Christian workers and employers – the bricklayer Klaas Kater (1833-1916) and his own employer Willem Hovy (1840-1915), etc. - founded together in 1876. Even though it is workers’ organization, it opens its membership to employers as associate members, and seeks for a harmonious relationship between employees and employers and aims to promote the interests of not only workers, but also of society as a whole. However, as the industrialization developed, the inter-class model of Patrimonium was given up

and separate organizations both of workers and of employers were recognized and formed. During the transitional period from the inter-class model to the various Christian labor unions, Aritius Talma (1864-1916) played a decisive role. He insisted on workers' equality with employers before God and justified the existence of Christian labor unions. He reinterpreted the apostolic admonitions, "Ye servants, obey your earthly masters in everything." They were addressed to the slaves and may not be applied to the modern contractual relations between employers and workers. Talma suggested to replace the words 'authority' and 'obedience' by 'leadership' and 'subordination' and thereby to desacralize the 'divine authority' of the employer. He thought that God-given authority applied to the government, church and family but not to the relations between workers and employers. Talma also defended Christian labor unions against the conservative critiques of them. He claimed that the inter-class organizations were unrealistic under the more detached relations between workers and employers in the modern mass production system since the industrial revolution, compared to that in a small-scale guild system of apprenticeship. He insisted that Christian labor unions sought not merely for materialistic interests and the revolutionary 'class struggle,' but for higher non-material values and 'struggle for the protection of right.' He taught that labor unions had a fundamental right to represent individual workers, who became powerless before a powerful capitalistic system.

But, this acknowledgement of separate Christian trade unions has never meant that the Christian labor movement gave up her harmonistic ideal between labor and capital. She has searched for the alternative in constituting consultative trade organizations ('bedrijfsorganisaties') within the so-called Dutch consultative economy ('overlegeconomie'). Mainly through the consultative trade organizations she could have realized her cooperative vision of labor-management relations since the foundations of the separate trade unions. The 1891 Christian Social Conference has already recommended the bipartite 'Chambers of Labor' (Kamers van Arbeid) as a means to reconcile the workers and employers. It is taken to be a prelude to the far-reaching consultative trade organization. On the other hand, in 1919 the CNV (Christelijk Nationaal Vakverbond in Nederland, 'National Federation of Christian Trade Unions in the Netherlands' founded in 1909) has taken a part in establishing the tripartite 'High Council for Labor' (Hoge Raad van Arbeid), which could be considered as the beginning of the Dutch consultative economy and as the most important forerunner of the 'Social and Economic Council' (Sociaal-Economische Raad). The consultations between the three national labor unions – including the CNV – and employers have resulted in the establishment of the 'Labor Foundation' (Stichting van de Arbeid) in May 1945. The Labor Foundation was shortly recognized as its official advisory body by the Cabinet, even though it was a 'private-law trade organization.' Finally in February 1950 the Social and Economic Council, which was a public-law trade organization, and developed to

the most important advisory institution in the social and economic field, came into being. In the defense of 'public-law trade organization' within the Christian world, Marinus Ruppert (1911-1992), the leader of the CNV, played an important role. The conservative wing insisted, based on the 'principle of sphere sovereignty,' that not industries but individual companies are sovereign communities and so the former should not be entitled to regulatory power, and that private-law trade organizations are allowable, but public-law organizations are not. Ruppert replied that industries were obviously communities and no Protestant major figure had opposed it so far. He also refused the rigid distinction between private law and public law which was based on an ideological interpretation of the 'principle of sphere sovereignty.' Since the representative consultative trade organizations – the Labor Foundation and the Social and Economic Council have been established after the World War II, the CNV has continuously participated in them. She has thereby contributed to the Dutch consultative economy and peaceful labor relations. She has aided the rapid recovery from the perils after the war and the establishment of welfare state. And one of the recent examples was the 'almost agreement' (bijna-akkord) in 1979 that she initiated in the Labor Foundation. It paved the way to the 'Agreement of Wassenaar' in 1982 that led to the revitalization of the consultative economy and to the economic improvement in the following two decades, the internationally praised 'polder model'.

We also presented the 'public concept of real estate' against the idea of 'the absolutism of the private property right' which was behind the widening disparity of real estate right due to its neo-liberal commodification since the Korean crisis. Henry George agreed with Locke that what a man produces by his labor is his own possession. But he differed with Locke that the principle is applied also to the raw nature or land, God's gratuitous gift, and developed the 'public concept of land' or nature. By examining the Jubilee laws in Leviticus 25 and a couple of other scriptures regarding 'land boundary' and 'patrimonium' we confirmed that the Bible taught 'God's ultimate ownership of land' and 'communal and temporary human ownership of land.' In contrast to George, we suggested to apply the public concept not only to land but also to houses. In Leviticus 25:29-34 'houses' aren't generally taken as 'private property' except for those in walled cities. Urban houses are exceptional, for they are possibly less vital to the people's livelihood in agricultural ages, which is interestingly opposed to that in modern industrial and commercial ages. Housing is inelastic in its supply, even though less so than land. Housing problems, today, appear to be even more urgent and desperate than land problems. One of examples of practicing the public concept of housing is to supply economic and high quality public rental houses extensively to urban low income families.

Lastly we criticized the neo-liberal value-free economic methodology, examined in chapter 4, from the perspective of a Christian epistemology, and also talked about the dichotomy between economics and Christian faith, which

is accompanied by the value-free economic methodology. Douglas Vickers counter-argues against the value-free economics on the basis of 'Christian presuppositional epistemology.' The presuppositional epistemology understands that we could not make sense of our human experiences without some presuppositions and believes that the Biblical revelations are among the presuppositions. Vickers claims that our economic thoughts and prescriptions are dependent on the philosophical or religious world- and life views and pre-theoretical commitments, which have moral implications as well. Vickers defines Christian presuppositional epistemology as a 'transcendental one' which contrasts with 'immanentistic ones.' He explains their difference by extending Abraham Kuyper's 'ontological antithesis' between the Christian and the non-Christian to 'epistemological antithesis' between them.

The value-free economic methodology leads to the prevalent idea of the dichotomy between economic science and Christian faith because the post-Kantian positivism, which influenced the former as discussed in chapter 4, presupposes the autonomy of man and the sufficiency of human reason. According to the Christian epistemology, however, Christian faith is inseparable from economics, as it is true for every other field of knowledge. Christian economists shall observe economic facts and interpret them on the basis of their faith in God the Creator and His Word. Furthermore, Christian scholars, confessionally, defend the inseparable relations between economics and Christian faith according to the religious principle of Christ's Kingship over all spheres of our lives.

Finally, we could add some remarks concerning what this research suggests to the contemporary churches and Christians under the neo-liberal world economy. Neo-liberalism that brings about financial crisis and subsequently economic and social crises has threatened not only Eastern, South American and Asian countries - Russia, Mexico, Brazil, Thailand, Indonesia and South Korea since the mid-1990s, but also Western countries - the United States since 2008 and the eurozone countries since 2009, which had designed neo-liberal financial systems since the 1970s to meet the crisis of capital accumulation in the 1960s. Neo-liberalism is not a neutral or value-free natural mechanism against which we cannot resist, but an ideological or value-impregnated man-made product that is created to defend the interests of a small number of transnational firms and banks and a small percentage of the super rich who own financial assets. Neo-liberalism, however, accompanies permanent financial instability, social and ecological degradations due to its off-shore residence, fiscal austerity and budget cuts in social expenditure, commodifications of real estate and nature and so on. Against neo-liberalism, churches and Christians, whether in Western countries or in other countries, have jointly or individually an urgent mandate to propose and practice alternative economic views and policies on the basis of the Biblical moral teachings - such

as social justice, cooperative harmony and ecological stewardship - as we have done here in the Korean cases.